

STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS

CHAPTER 326, P. L. 2005
INFORMATION FOR ELIGIBLE FIREFIGHTERS

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
POLICE AND FIREMEN'S RETIREMENT SYSTEM

ELIGIBILITY

- ◆ Employees eligible under Chapter 326, P.L. 2005, are firefighters employed prior to January 12, 2006, of any age, who were originally volunteers before being appointed to paid positions by a municipality, and who:
 1. were not eligible for Police and Firemen's Retirement System (PFRS) membership at the time of appointment to the paid position;
 2. meet the PFRS definition of a "fireman"; and
 3. are currently enrolled in the Public Employees' Retirement System (PERS).
- ◆ The transfer of any eligible firefighter's membership from the PERS to the PFRS is subject to **the prior approval of the municipal governing body**. Eligible firefighters must also be identified to the Division of Pensions and Benefits by the employer.
- ◆ Transfer also requires the submission of an *Retirement System Election Form* by the member. **This form must be submitted to the employer and then forwarded to the Division of Pensions and Benefits by April 1, 2006.**
- ◆ Eligible firefighters must meet the PFRS medical requirements and submit a current PFRS *Report of Examining Physician* form.

THINGS TO CONSIDER

- ◆ All eligible firefighters **must** complete the Chapter 326 *Retirement System Election Form* **indicating whether or not you wish to transfer your membership**. Once you make your choice, your decision is irrevocable regarding your transfer and the rights and privileges associated with membership in the PERS and/or PFRS. All transfers of membership under Chapter 326 will be **effective on August 1, 2006**.
- ◆ The accrued PERS service credit of transferring firefighters will be transferred to the PFRS and can be used to meet the service credit requirements for *qualification* for benefits under the PFRS.
- ◆ Retirement is mandatory at age 65 for members of the PFRS. Eligible firefighters contemplating transfer to the PFRS under this legislation — especially if, because of your age, you would not expect to achieve 25 years of PFRS service credit before age 65 — should carefully consider the retirement benefits provided under both the PERS and the PFRS.
- ◆ Eligible firefighters who may qualify for a PERS Veteran Retirement should carefully consider the retirement benefits provided under both the PERS and the PFRS. If, because of your age and service, you would qualify in the near future for a PERS Veteran Retirement, you may find the PERS retirement benefit to your advantage. (See benefit examples on page 3.)

For more information about PERS retirement benefits, including Veteran Retirement, see Fact Sheet #4, *Applying for Retirement (PERS/TPAF)*.
(continued on page 2)

- ◆ The amount of any retirement benefit will be *calculated* as provided under the PFRS for the service credit accrued in the PFRS *after* the effective date of the transfer. An additional benefit will be *calculated* comparable to a PERS Service, Early, or Deferred Retirement benefit, based on the age of the member at the time of retirement and the amount of PERS service credit transferred to the PFRS. (See examples on page 3.)
- ◆ Active and retired death benefits, Accidental Death benefits, and Ordinary and Accidental Disability Retirement benefits for firefighters transferring to the PFRS will be the benefits provided under the PFRS based upon the total amount of service credit accrued under the PFRS.
- ◆ Transferring firefighters will be entitled to elect optional retirement allowances for the portions of the retirement benefit based upon PERS service credit as provided under the laws and regulations governing selection of optional retirement allowances under PERS. For more information about PERS pension survivor's options, see Fact Sheet #5, *Pension Options*.
- ◆ A firefighter who transfers membership from the PERS to the PFRS may receive full PFRS credit toward the *calculation* of benefits for the transferred PERS service if the member agrees to pay the *full cost* of the accrued liability for the transferred PERS service. (See examples on page 3.)

The cost of converting the PERS service to PFRS service is calculated in the same manner and subject to the same terms and conditions provided for the purchase of service credit for Military Service under the PFRS — this is a *Full Cost* purchase. For more information about calculating purchase costs, see Fact Sheet #3, *Estimating the Cost of Purchasing Service Credit (PFRS)*.

Interested members may also use the Division's online *PFRS Purchase Estimate Calculator* to estimate the cost of their accrued liability. A link to the calculator is found at: www.state.nj.us/treasury/pensions/purchase_service.htm. Once you are at the calculator page, enter the requested information in the form fields and select "U. S. Military Service Before Enrollment" as the purchase type.

HOW TO TRANSFER

- ◆ All eligible firefighters **must** complete the Chapter 326 *Retirement System Election Form* **indicating whether or not you wish to transfer your membership**. Return the completed form to your employer **before March 31, 2006** so your employer can forward it to the Division of Pensions and Benefits for the April 1, 2006 deadline.
- ◆ If you are choosing to transfer your membership from the PERS to the PFRS, you and your employer must also complete a *PFRS Enrollment Application*, an *Application for Interfund Transfer*, and a current *PFRS Report of Examining Physician* form and submit these to the Division of Pensions and Benefits for each transferring firefighter. These forms should be submitted as soon as possible, but can be sent to the Division after April 1, 2006.

ADDITIONAL INFORMATION

- ◆ The fact sheets and forms mentioned above are available on the Divisions and Pensions and Benefits' Web site at: www.state.nj.us/treasury/pensions
- ◆ If you have additional questions regarding Chapter 326, contact the Division's Office of Client Services at (609) 292-7524, or e-mail the Division at: pensions.nj@treas.nj.us

SAMPLE CALCULATIONS OF PERS vs. PFRS BENEFITS

**Example #1: Member age 60 with 25 years of service. Final year' salary \$55,000.
Retires with PERS Service and/or PFRS Special Retirement.**

	PERS (No Transfer)	PERS/PFRS (Transfer with Combination Benefit)	PFRS (Transfer with Payment of Accrued Liability)
Total Service	25 Years PERS	20 Years PERS plus 5 Years PFRS	25 Years PFRS
Retirement Formula	25/55 x Final Average Salary of \$53,500	20/55 x Final Average Salary of \$53,500 plus 5/25 x 65% of Final Salary of \$55,000	65% of Final Salary of \$55,000
Annual Retirement Allowance	\$24,318*	\$19,454 PERS* <u>+ 7,150 PFRS</u> \$26,604*	\$35,750
Spouse's Annual Allowance After Death of Retiree	Dependent on selection of survivor option by retiree.*	PFRS Benefit \$5,500 PERS Benefit dependent on selection of survivor option by retiree.*	\$27,500
Life Insurance Coverage	\$10,313 (3/16 of Final Salary)	\$27,500 (1/2 of Final Salary)	\$27,500 (1/2 of Final Salary)

**Example #2: Member age 65 with 23 years of service. Final year' salary \$55,000.
Retires with PERS *Veteran* and/or PFRS Service Retirement.**

	PERS (No Transfer)	PERS/PFRS (Transfer with Combination Benefit)	PFRS (Transfer with Payment of Accrued Liability)
Total Service	23 Years PERS	19 Years PERS plus 4 Years PFRS	23 Years PFRS
Retirement Formula	Veteran Formula of 54.5% x Final Year's Salary of \$55,000	PERS Service Formula 19/55 x Final Average Salary of \$53,500 plus 4/25 x 50% of Final Salary of \$55,000	50% of Final Salary of \$55,000
Annual Retirement Allowance	\$29,975*	\$18,481 PERS* <u>+ 4,400 PFRS</u> \$22,881*	\$27,500
Spouse's Annual Allowance After Death of Retiree	Dependent on selection of survivor option by retiree.*	PFRS Benefit \$4,400 PERS Benefit dependent on selection of survivor option by retiree.*	\$27,500
Life Insurance Coverage	\$10,313 (3/16 of Final Salary)	\$27,500 (1/2 of Final Salary)	\$27,500 (1/2 of Final Salary)

*PERS benefit is based on the Maximum Option with no PERS survivor benefit. If an optional payment method is selected, the PERS retirement allowance is reduced.